

**Statement of Governor Tommy Thompson
before the
Senate Committee on Commerce, Science and Transportation
Amtrak Oversight Hearing
September 26, 2000**

Mr. Chairman, I thank you and the distinguished members of this Committee for giving me the opportunity to describe how Amtrak is well on its way toward achieving operational self-sufficiency by fiscal year 2003, as required by the Amtrak Reform and Accountability Act of 1997.

As you well know, the Act was the first significant step in relieving us of the burden of being all things to all people, and to start acting and performing like a business.

To that end, one of the Board's first actions in 1998 was the adoption of a five-year Strategic Business Plan that is transforming Amtrak into a market-based, customer-focused operation. I'll be discussing the Business Plan, and the extraordinary results it has achieved in just a moment.

But first, both as a Republican and as the Chairman of Amtrak's Board, I'd like to say how very proud I am that two of our nation's most prominent Republicans – yourself, Mr. Chairman, and Gov. George W. Bush of Texas – were our guests this summer aboard Amtrak trains. We feel deeply privileged to have hosted you, along with nearly 6.2 million other Americans, all of whom took to the rails this summer – a number unprecedented in Amtrak's history.

The record-breaking ridership and revenue figures helped us turn an important corner – not only in Amtrak's corporate history, but also in America's transportation history. Although hardly anyone predicted it 29 years ago when Amtrak was created, railroads are experiencing a renaissance in America today. There are two reasons for this.

First, travelers are demanding a more personalized way to travel. And you can't get much more comfortable than rail travel. In contrast, our highways are jammed, and the news from this summer on the airline side only gets worse. It's bad enough reading the headlines of hundreds of flight cancellations each day, but I have also heard some personal horror stories from travelers that underscore a real need for a balanced transportation system. I guess the fact that this summer O'Hare has had to order more than the normal 1,500 cots reserved for snowstorms says it all.

I believe the second reason for the renaissance is that when travelers board the train and go with Amtrak they receive better service than the airlines provide and, frankly, better than what we have been able to provide in the past. We have worked hard over the last year preparing to launch an unprecedented national satisfaction guarantee – and on July 4, we did it!

Our focus is on providing our customers – or guests, as we prefer to call them – with an enjoyable travel experience, and that means a new level of service in the travel industry for every customer. Faster, more efficient service. Consistently professional, highly personalized service. Striking new and renovated stations. And, of course, new and refurbished trains with a rich package of amenities for our guests' pleasure and comfort.

Under the guarantee, we promise all of our guests a safe, comfortable and enjoyable travel experience. If guests are not satisfied at any point in their Amtrak travel experience, and if our employees can't make it right, they'll get a Service Guarantee Certificate, entitling them to equivalent free travel in the future.

Amtrak launched the Service Guarantee because it makes good business sense. The guarantee and the improved service are designed to increase passenger satisfaction and cause those who have tried Amtrak to return with greater frequency. We estimate that just a one-percent increase in our guest retention rate will add \$13 million in revenues. Moreover, getting customers to tell us about problems in our service is a virtually cost-free way of identifying and correcting the things that tend to drive people away from Amtrak.

Mr. Chairman, I believe that it's the convergence of these two factors – on the one hand, travelers searching for an alternative; on the other, Amtrak's new, unconditional commitment to passenger satisfaction – that is behind the current railroad renaissance.

There are three additional points that I'd like to make about the resurgence of passenger rail.

First of all, it's real. It's not one of those flash-in-the-pan, here today, gone tomorrow phenomena. And, the reason railroads are here to stay has to do with dollars and cents. As I'm sure Committee Members know, the costs of building new highways and airports are soaring. And, while we must maintain our highways and airports, you get more "bang for your buck" by investing your transportation dollar in passenger rail, than by investing that same dollar in new highway or airport construction.

The second critical point about the current railroad renaissance is that, although I have naturally focused on Amtrak, public investment in passenger rail can also revitalize the infrastructure of the railroad freight industry, and result in

increased capacity for freight as well as passenger railroads. That's why public investment in Amtrak is a classic "two fer": By unclogging our highways and airlines, it helps commuters; by unclogging the arteries of our commerce, it helps shippers and manufacturers.

My third point about the national rail renaissance is that it's crucial to the success of our entire national transportation system. What most people fail to understand about this system is that it's a balanced network consisting of highways, airports and railroads. And the balance is surprisingly delicate. If you remove passenger railroads from the balance, then the other parts of the system just won't work right. But if you've got a strong railroad system that takes some of the pressure off of our highways and airports, then you enable *them* to fulfill their potential, as well.

The goal of public policy, Mr. Chairman, should be to create a framework within which our highways, our airports and our railroads can work together to create a seamless transportation network that provides Americans with the widest array of travel choices.

Today, more and more Americans want to travel, and we all need to work together to provide them with seamless travel options. Amtrak plays an important role in the mix. For instance, on long-distance trips, travelers would fly to major hubs, and then for shorter distances, rely on high speed rail services. As I put it in my State of the State Address to the Wisconsin legislature last January, "Soon, the business traveler will fly from Washington to Milwaukee, jump on a high-speed train to Madison, then catch a bus to drop her at her doorstep just in time for dinner with the family, cooked by her husband."

I am pleased to report that Amtrak has already taken steps to build a seamless system with its partners. We have an unprecedented agreement with Continental Airlines to connect their customers to our stations in the Northeast for portions of their trip and to reroute them on our trains in inclement weather. Working with Hertz, we now have rental car services available at 56 stations in the country, and the number is growing. And we work with Coach USA and Greyhound to take travelers to their hotels and destinations once they step off our trains.

This spirit of entrepreneurial partnership has helped us achieve some mighty impressive financial successes in the last year, and it is the kind of spirit that will help us fulfill our legal obligations under the Amtrak Reform and Accountability Act.

Amtrak's relentlessly entrepreneurial focus informs every step we take. Our partnerships with the freight railroads have already helped grow our Mail and Express business by 30% over last year – and we've only begun to explore

the possibilities of what promises to be a vastly -- and mutually -- profitable relationship.

Our Network Growth Strategy will expand rail service in 21 states, further grow our Mail and Express business, and generate \$255 million in improvements to our bottom line by 2003. This service expansion is not about trying to be all things to all people. It's about the basic economic principle that in order to cover your fixed costs, you must expand your operations and grow revenues. It's about growing to prosperity, not cutting services and killing your market just to meet a budget.

Thanks to our strategic investments in state-of-the-art technology, our Call Centers -- which won the "Best Call Center" Award from *Call Center Magazine* in 1998 -- are doing even better today. Sales per man-hour are up 11% over last year, to \$859/hour; ticketed sales are up 12%, to \$487 million; and bookings are up 12%, to \$1.7 billion.

And our partnerships with states to build regional, high-speed rail corridors will have a profound impact on our financial situation, as well as on America's transportation system.

Mr. Chairman, Amtrak is absolutely committed to building a market-based national system whose economic viability derives from both passenger revenue and commercial ventures. On January 31, 2000, we took a major step in the realization of our vision by launching *Acela Regional* train service between Boston and New York. The new, all-electric *Acela Regional* service dramatically reduces travel time within New England, making rail attractive for both leisure and business travelers. Ridership on the *Acela Regional* is up 42% over the trains it replaced, adding millions to the bottom line.

The *Regional* service will prime customers for the arrival of the *Acela Express*. When all 20 high-speed trainsets are operating, travel time between Boston and New York will be reduced to a little over three hours, and between New York and Washington to as little as two hours and thirty minutes. We anticipate gaining three percentage points in market share, from 12 to 15%, in the Northeast.

But high-speed rail is not something just the Northeast wants. Across America, interest in high-speed rail is running high. That's why 36 states are working with Amtrak on passenger rail projects -- and 28 of those states are investing in high-speed rail projects. California, for example, plans to invest \$700 million for intercity passenger rail investment next year. Also, as part of the \$5 billion Midwest Regional Rail Initiative, Illinois plans to spend \$140 million; Michigan has already spent \$25 million; and my own state, Wisconsin, plans to spend \$60 million. The state of Washington has invested \$125 million, New York will invest \$100 million and both North Carolina and Pennsylvania are

investing at least \$70 million in high-speed rail projects respectively. Virginia recently approved \$75 million in new spending for the Richmond Washington high-speed rail corridor, and Georgia recently approved \$200 million for investment in high-speed rail and commuter in that state.

As I said earlier in my testimony, the railroad renaissance is real!

Mr. Chairman, the initiatives I've described are already producing spectacular results:

Amtrak continues to break ridership and revenue records. A 21-year high of nearly 2.1 million passengers rode Amtrak in August, leading to an all-time monthly ticket revenue record of \$108.4 million. The record setting August ticket revenues broke July's record ticket revenues of \$107.2 million, and was the third month in a row that ridership surpassed 2 million. With only a few days left in the current fiscal year, Amtrak is on course to set a record for annual ticket revenue and to break its all-time annual ridership record of 22.2 million passengers.

We expect ridership and ticket revenues to grow even faster in the coming year with the introduction of *Acela Express*. The Federal Railroad Administration (FRA) has been working in lockstep with Amtrak and the manufacturers during the testing and we have just received a favorable review and certification from the FRA. We anticipate that the manufacturers will offer the trainset for conditional acceptance by Amtrak any day and that we will soon thereafter launch the service.

Mr. Chairman, the strong financial performance of our company assures that, with continued federal capital support, Amtrak will meet its business plan target of operating self-sufficiency by 2003. Amtrak is successfully continuing along the congressionally-mandated glidepath to end federal operating assistance. We will require no more than the planned \$362 million in federal support for operating expenses this year, \$122 million less than last year. And, we will meet or improve upon the cash plan contained in the Corporation's Business Plan. Finally, we have been predicting that we would have a revenue shortfall due to the delay in the launch of *Acela Express*. This remains true, but I am pleased to tell you that our strong performance so far this year has served to make up more than half the anticipated shortfall, so that we will miss our Business Plan goal for bottom-line performance by \$60 - \$70 million, not \$150 million.

Still, the question remains: How can we sustain Amtrak's successes and create a passenger rail system that truly is an integral part of our transportation network?

Well, the answer is no surprise. Like every other mode of transportation, passenger rail needs federal capital investment funds. The \$2.2 billion that

Amtrak received from the Taxpayer Relief Act has provided critical funding to keep Amtrak on its path to operating self-sufficiency. But, as a Governor, I'm here to tell you that the country needs more than just a self-sufficient Amtrak. We need high-speed trains in heavily populated corridors that take the pressure off the overloaded airports and highways. We need a national long-distance train network supporting our rural communities and carrying critical express cargoes. We need the federal government to take a leadership role in investing in an interstate railroad system that this country can be proud of.

The High Speed Rail Investment Act would provide the necessary funds for rail through an innovative financing mechanism that requires state participation through a match -- just like in the highway and transit programs. This is a new and creative way to get the capital funds to high-speed corridor projects that are ready and waiting to be built. This is not about a "bailout " for Amtrak. We don't need a bailout, and that's not why we're supporting this bill. What we do need is for states around the country to have a federal matching program, as with highways and transit -- a program that assists them in making the rail infrastructure investments necessary to support our growing system.

Mr. Chairman, I'd like to conclude my statement by acknowledging that there was a lot to criticize about the old Amtrak. For much of our history, I'm afraid that Amtrak was not run like a business, did not have an entrepreneurial focus, and lacked a serious business plan.

Fortunately, Mr. Chairman, your leadership has helped this corporation turn itself around and reduce our dependence on federal operating support. You have focused on our shortcomings to help strengthen our focus, and to hold us accountable for becoming an operationally self-sufficient, market-oriented, moneymaking enterprise. That is why, though we have crossed swords in the past, and may well do so again today, you should know that I have the deepest admiration and respect for you, and for your vision of what Amtrak can be.

Thank you, Mr. Chairman.